

Appendix 4D

for the half-year ended 31 December 2016

REA Group Limited

ABN 54 068 349 066

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2016 (“current period”)

		31 Dec 2016	% Change from 6 months ended 31 Dec 2015	31 Dec 2015
		A\$'000		A\$'000
Revenue from ordinary activities (core operations)	Up	337,326	16%	289,772
Net Profit for the period attributable to members	Up	292,143	154%	115,148
Net Profit from core operations	Up	121,771	6%	115,309
Net Profit for the period attributable to members of parent (before non-controlling interest)	Up	292,139	154%	114,978

Dividend information

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit
2016 interim dividend per share (paid 11 March 2016)	36.0	36.0	30%
2016 final dividend per share (paid 15 September 2016)	45.5	45.5	30%
2017 interim dividend per share (to be paid 15 March 2017)	40.0	40.0	30%

2017 interim dividend dates

Ex-dividend date	3 March 2017
Record date	6 March 2017
Payment date	15 March 2017

	31 Dec 2016	30 Jun 2016
	Cents	Cents
Net tangible assets per security	22.5	(181.9)

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 31 December 2016. Information should be read in conjunction with REA Group Limited's 2016 Annual Report and the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half-year ended 31 December 2016 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.

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REA Group Limited

ABN 54 068 349 066

Interim Financial Report for the half-year ended 31 December 2016



Index

Corporate Information 3

Directors’ Report 4

Auditor’s Independence Declaration to the Directors of REA Group Limited 10

Consolidated Income Statement 11

Consolidated Statement of Comprehensive Income 12

Consolidated Statement of Financial Position 13

Consolidated Statement of Changes in Equity 14

Consolidated Statement of Cash Flows..... 15

Notes to the Consolidated Financial Statements..... 16

Directors’ Declaration 25

Report on the Interim Financial Report 26

Corporate Information

Directors	Mr Hamish McLennan (Chairman) Ms Tracey Fellows (Chief Executive Officer) Mr Roger Amos Ms Kathleen Conlon Mr Richard Freudenstein Mr John McGrath Mr Michael Miller Ms Susan Panuccio
Chief Financial Officer	Mr Owen Wilson
Company Secretary	Ms Sarah Turner
Principal registered office	511 Church Street Richmond, Victoria, 3121 Australia Ph: +61 3 9897 1121 Fax: +61 3 9897 1114
Share register	Boardroom Pty Limited Level 12 Grosvenor Place 225 George Street Sydney NSW 2000 Australia Ph: 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia) Fax: +61 2 9279 0664
Auditor	Ernst & Young 8 Exhibition Street Melbourne, VIC 3000 Australia
Bankers	National Australia Bank Limited
Securities Exchange Listing	REA Group shares are listed on the Australian Securities Exchange (Listing code: REA)
Website	www.rea-group.com

Directors' Report

The Directors present their report together with the financial statements of the consolidated entity (the "Group"), being REA Group Limited (the "Company") and its controlled entities, for the half-year ended 31 December 2016 and the Independent Auditor's Review Report thereon.

Directors

The names of Directors of the Group in office during the half-year and up to the date of the report, unless stated otherwise, are as follows:

- Mr Hamish McLennan (Chairman)
- Ms Tracey Fellows (Chief Executive Officer)
- Mr Roger Amos
- Ms Kathleen Conlon
- Mr Richard Freudenstein
- Mr John McGrath
- Mr Michael Miller
- Ms Susan Panuccio

Principal activities

REA advertises property and property related services on websites and mobile apps in Australia, Europe and Asia.

Our purpose is to 'change the way the world experiences property'. We fulfil this purpose by:

- Providing digital tools, information and data for people interested in property. We call these users of our services 'consumers'.
- Helping real estate agents, developers, property related businesses and advertisers promote their services. We call these users of our services 'customers'.

Our growth focuses on the three pillars of our strategy; property advertising, property related services and global.

Property advertising

The foundation of our business remains the online advertising of property listings, supported by data on residential and commercial property.

Agents continue to play an essential role in our business, and increasing their loyalty and engagement is paramount for our growth.

Our aim with property advertising is to improve both our existing products and become more personalised to consumers. By continuing to innovate and develop new products and services, we're helping property developers and real estate agents who list properties on our sites to win listings and recognition in the industry, as well as making it easier for our consumers to find properties.

Property related services

We want to ensure that we're engaged with people throughout their entire property journey. The Group now has one of the largest sources of property related information and insights in Australia, which puts us in a strong position to further develop our property related services offering. In particular, the depth, breadth and increased personalisation of our consumer data opens up opportunities to engage a wider range of advertisers and showcase them in front of our consumer audience.

On 19 December 2016 the Group announced it had entered into a five-year partnership with National Australia Bank (NAB) to create an integrated digital home loan experience on realestate.com.au.

The partnership will see realestate.com.au and NAB work together to develop an innovative end-to-end digital property buying experience that will be an Australian first.

Our 1Form online application form for renters received 1.0 million rental applications from registered users for the half-year, representing 39%¹ year on year growth. This technology gives us early visibility of consumers who are planning to move in the near future. Advertisers can then target these consumers through recent initiatives, such as Connections and home loan tool.

Connections rolled out in Australia in 2015 and is available on realestate.com.au. Connections helps consumers compare and connect services to their property, such as electricity, telecommunications and pay TV.

A home loan tool has been integrated into property searches on realestate.com.au, presenting consumers with home loan options.

¹ Source: REA internal data for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015.

The Group will continue to invest in these products over the next year. We will also continue to extend our audience through relevant partnerships.

Global

We know that everyone is connected to or touched by property in some way. We will continue to expand into new markets, and people will increasingly be able to search for property all over the world with us. We will leverage global scale, knowledge and capability to increase our speed to market and competitiveness.

Our acquisition of iProperty in 2016, gives us exposure to the South East Asian market, which represents an opportunity for significant growth, with a population of over 600 million consumers increasingly moving online.

With average property prices in Singapore and Hong Kong already higher than in Australia, and the volume of transactions exceeding that of Australia, the acquisition is a major accelerator for our Global footprint. It significantly enhances the growth profile for both companies, while giving our customers, property buyers and investors the opportunity to tap into a wider market.

Our investment in Move Inc. ("Move"), a leading digital real estate advertising business in the United States gives us access to the largest real estate market in the world. A successful rebranding of the realtor.com site, a new marketing campaign, and a significant increase in traffic to the site, all of which have better positioned realtor.com® for growth.

On 20 December 2016 the Group announced it had entered into an agreement to sell its European businesses, atHome Group S.à r.l. and REA Italia S.r.l. The sale enables us to further sharpen our focus in our key growth areas in the Australian, Asian and North American markets. The consideration received was \$193.7 million (€132.6 million). This resulted in a gain of \$161.6 million (€111.5 million), after deducting the net assets, accumulated foreign exchange reserve and transaction costs. The profit from discontinued operations for the half-year ended 31 December 2016 was \$163.4m.

On 10 January 2017 the Group announced its intention to acquire a 14.7% stake in PropTiger a leading digital real estate marketing platform in India. PropTiger owns and operates proptiger.com, makaan.com and housing.com. The Group's stake will be acquired for a cash consideration of \$67.9 million (USD 50.0 million) and will be funded by cash reserves. The investment was completed in January 2017.

Review and results of operations

A summary of financial results from core operations for the half-year ended 31 December 2016 is set out below.

For the purposes of this report, core operations are defined as the reported results as set out in the financial statements adjusted for significant non-recurring items such as discontinued operations and excludes adjustments to the contingent consideration from the iProperty acquisition. Prior period comparatives have been adjusted to meet this definition.

A\$'000 (unless stated)	2013 HY	2014 HY	2015 HY	2016 HY	2017 HY	Growth
Revenue from core operations	145,677	189,237	239,255	289,772	337,326	16%
EBITDA ² from core operations	73,873	103,466	140,721	176,693	200,053	13%
EBITDA margin	51%	55%	59%	61%	59%	(3%)
Net profit from core operations	49,389	69,448	84,967	115,309	121,771	6%
Dividend (cents per share)	16.0	22.0	29.5	36.0	40.0	11%
Earnings per share from core operations	37.5	52.7	64.5	87.5	92.5	6%

² The Directors deem the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

Reconciliation of results from core operations

A reconciliation of results from core operations and non-IFRS measures compared to the reported results per the Financial Statements on page 11 is set out below:

A\$'000 (unless stated)	2017 HY	2016 HY	Growth
Reported revenue	337,326	289,772	16%
Reported EBITDA	200,053	176,693	13%
Net profit from core operations	121,771	115,309	6%
Discontinued operations (including gain on sale)	163,386	(161)	>100%
Revaluation and unwind of contingent consideration	6,986	-	>100%
Reported Net profit	292,143	115,148	>100%

Group results from core operations

Group revenue from core operations grew by 16% to \$337.3 million driven by the inclusion of iProperty revenue, which was not included in the prior comparative period and the continued growth in our listing depth products (where agents pay extra to feature a more prominent listing of a particular property). This was achieved in a market which had lower listing volumes. The Group achieved a 13% increase in EBITDA from core operations to \$200.1 million and a 6% increase in net profit from core operations to \$121.8 million. Operating expenses increased due to the consolidation of iProperty results and a higher level of marketing expenditure.

Revenue grew across all segments for the year and Australia remained the primary revenue driver for the business, delivering 94% of the Group's revenue. The revenue growth in Australia reflects the success of our strategy to promote our depth products and our continued product innovation, both of which have strengthened our customer relationships and consumer experience.

The Group's operations attracted record growth in audience visits (approximately 14% average increase across REA Group's Australian residential and commercial listings sites³). This figure is particularly impressive, given that property listings were down for the half-year ending 31 December 2016.

Dividends

Dividends paid or declared by the Company during and since the end of the half-year are set out in Note 12 to the financial statements and further set out below:

	Interim 2017	Final 2016
Per share	40.0	45.5
Total amount (\$'000)	52,600	59,930
Franked ¹	100%	100%
Payment date	15 Mar 2017	15 Sept 2016

¹ All dividends are fully franked based on tax paid at 30%

³ Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au, property.com.au and realcommercial.com.au for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015, excludes apps.

Review and results of operations *continued*

Performance by segment

Half-year ended	Australia	North America	Asia	Corporate	TOTAL
31 December 2016	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	318,160	-	19,166	-	337,326
Segment EBITDA from core operations	209,334	(1,757)	2,639	(10,163)	200,053
Reported EBITDA	209,334	(1,757)	2,639	(10,163)	200,053
Half-year ended					
31 December 2015					
Revenue from external customers	284,574	-	5,198	-	289,772
Reported EBITDA	187,170	(4,564)	2,485	(8,398)	176,693

Australia

The Group operates Australia's number one residential and commercial property sites, realestate.com.au and realcommercial.com.au⁴.

Customers value our number one position⁴ with a 5%⁵ increase in the number of Australian real estate agent offices that list properties on our sites for the half-year ended 31 December 2016.

Overall, Australian revenues increased by 12% to \$318.2 million during the half-year.

In our residential business, depth revenue increased by 14% to \$194.0 million despite a decline in listings volume year on year. The result is driven by the success of our Premiere All offering and increased yield on the back of the first price rise in two years.

Our developer and commercial businesses recorded a 9% revenue growth in the half-year, driven by strong take-up of our premium developer offering, particularly the Project Profiles product which

makes it easier for developers to present large developments.

Media and other revenue increased by 14% as a result of continued innovation in media display products and the inclusion of flatmates.com.au revenue.

The acquisition of market leader Flatmates.com.au in May 2016 positions us well in the share accommodation segment; one of the fastest growing segments in the Australian property market.

Flatmates.com.au is the number one player in share accommodation by visits⁶. The site receives an average of 2.1 million visits, representing growth of 20% compared with the previous comparative period⁷. The Group is uniquely placed to strengthen this leadership position through the sharing of technology, expertise and reach. During the period, Flatmates began to sell media advertising on its site.

4 Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au and realcommercial.com.au for the half-year ended 31 December 2016 (excludes apps) compared to domain.com.au and commercialrealestate.com.au (excludes apps).

5 Source: REA internal data, for December 2016 compared with December 2015.

6 Source: Hitwise, a division of Connexity. Percentage of market share of visits for Flatmates within the 'Share Accommodation' custom industry for December 2016.

7 Source: Google Analytics average monthly visits for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015.

Innovation is driving consumer engagement

The Group has the most engaged audience of property seekers in Australia. Combined, realestate.com.au, realcommercial.com.au and property.com.au attracted average monthly visits of 50.4 million during the half-year, which represents growth of 14%⁸ compared with the previous comparative period, and an average time on site of 261.4 million minutes⁹.

The high consumer engagement is due to the Group's continuous efforts to enhance the online experience for people looking to buy, sell, rent or share property. Additionally, this large audience provides incredibly rich data, which allows us to see patterns in how people search, where people look, what they look for, and what people similar to them are looking at. This information enables us to personalise information for people based on their own search behaviour.

Recent innovations mean consumers can now find far more detailed, relevant and up-to-date information on more properties than ever.

Examples of such innovations are:

Builder Profiles - Assists builders with expanding their online presence and increasing their brand awareness.

realestate VR App- Australia's first virtual reality property app available on Daydream, Google's mobile VR platform.

Seller Hub - Gives consumers access to the best information and insights before their property goes under the hammer.

A simpler, smarter mobile app - as consumers continue to migrate to mobile, realestate.com.au launched a simpler and smarter design of its flagship app in June 2016. The app's new features include better management of alerts and short-cuts to recent searches. The new 'Notifications tab' allows consumers to keep track of important updates

about properties they've saved or may be interested in, while our popular web and mobile Price Lookup tool was also added to the app.

As a result, visits to our app grew by 76%¹⁰ and app downloads exceeded 6.1 million¹¹. Average monthly visits for realestate.com.au's sites outperformed the nearest competitor site by 2.3 times¹².

Revenues increased, thanks to greater uptake of 'depth products'

The Group's growing revenues are particularly pleasing, given lower property listing volumes across the market and lower average days on-market for properties due to high auction clearance rates in Sydney and Melbourne, compared with previous half-year.

The Group's positive results, despite this backdrop, can be attributed to the successful execution of our strategic initiatives. An important factor has been depth products, where agents pay extra to feature a property listing more prominently. By improving these 'depth products' and making them easier to purchase, we increased the take-up of premium listings by both residential and commercial property agents.

Asia

The Group's Asian operations comprise iProperty which operates leading property portals across Malaysia and Hong Kong, and prominent portals in Thailand, Singapore and Indonesia, and our Chinese site, myfun.com which supports the Australian listing business by showcasing Australian residential property listings to Chinese buyers and delivering leads to agents.

The Asian business recorded \$19.2 million of revenue for the half-year. The Asian financial results have been impacted in the half by decreased market transactions in Hong Kong by 13%¹³, and Malaysia by 17%¹⁴. Despite these conditions the number of

8 Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au, property.com.au and realcommercial.com.au for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015, excludes apps.

9 Source: Nielsen Online Market Intelligence Home and Fashion Suite for combined average monthly minutes for the audited sites of realestate.com.au, property.com.au and realcommercial.com.au for the half-year ended 31 December 2016, excludes apps.

10 Source: Adobe Analytics average monthly visits for the app for realestate.com.au for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015.

11 Source: Google Play and iTunes, Total Downloads to December 2016.

12 Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for audited sites for realestate.com.au compared to domain.com.au for the half-year ended 31 December 2016, excludes apps.

13 Source: Hong Kong Midland Realty transaction volume statistics from January 2016 to September 2016 compared to prior comparative period.

14 Source: Malaysia National Property Information Centre volume and value of property transaction from January 2016 to September 2016 compared to prior comparative period.

listings on iProperty sites increased during the half¹⁵.

Average monthly visits to the combined Asian sites increased by 4% to 7.5 million¹⁶ extending our reach and enabling all of our customers, consumers and investors to tap into a wider and more diverse market. Consumers continued to engage across multiple devices and we have seen the number of mobile users increase 11% on the prior comparative period¹⁷. The new Squarefoot android app has been released in January in Hong Kong.

iProperty and Brickz.my have partnered to provide subscription-based data services providing transaction insights on the property market in Malaysia for property buyers, investors, developers and property agents.

The Group is investing in senior leadership to be based in-region, strengthening the Asian management team to drive the global strategy and greater connectivity to Australia.

On 20 January 2017 the Group acquired a 14.7% stake in PropTiger a leading digital real estate marketing platform in India. News Corp, the parent of REA Group majority shareholder News Corp Australia, is currently the largest shareholder of PropTiger, holding a 23% investment. This cornerstone investment, coupled with iProperty, extends our footprint in Asia and strengthens our presence within the region. PropTiger will be accounted for as an Associate from 1 February 2017.

North America

We hold a 20% investment in Move, a leading provider of online real estate services in the United States. News Corp, the parent of REA Group majority shareholder News Corp Australia, holds the remaining 80% of Move.

Move primarily operates realtor.com®, a premier real estate information services marketplace, under a perpetual agreement and trademark license with the National Association of Realtors® (NAR), the largest trade organisation in the USA.

Knowledge and technology sharing between REA and Move, Inc. across product and consumer experience has led to a number of new innovations.

This includes a new web experience and design, a new app and a re-launch of existing agent products, which have positioned realtor.com as the clear number two property portal in the United States, the world's largest real estate market. Average monthly unique users increased 14% on the prior corresponding period to 48.4 million¹⁸ and revenue has grown 8%¹⁹.

The Group's share of Move for the half-year resulted in a \$1.8 million loss recognised in the Income Statement.

Rounding of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Instrument 2016/191 pursuant to section 341(1) and 922 (B) of the *Corporations Act 2001*. Amounts in the Directors' Report and the accompanying Financial Statements have been rounded off in accordance with the Instrument to the nearest thousand dollars, except where otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Declaration

This Report is made in accordance with a resolution of Directors.



Mr Hamish McLennan

Chairman



Ms Tracey Fellows

Chief Executive Officer

Sydney

10 February 2017

¹⁵ Source: iProperty internal data for the half year ended 31 December 2016.

¹⁶ Source: SimilarWeb for the combined iProperty site visits for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015.

¹⁷ Source: SimilarWeb for the combined iProperty mobile visits for the half-year ended 31 December 2016 compared to the half-year ended 31 December 2015.

¹⁸ Source: Internal Move data includes web, mobile web and native apps for the 6 month periods ended 31 December 2016 and 31 December 2015.

¹⁹ Source: NewsCorp's Earnings Release stated in US Dollars (7 November 2016 and 10 February 2017) for the quarters ended 30 September 2016 and 31 December 2016.



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Auditor's Independence Declaration to the Directors of REA Group Limited

As lead auditor for the review of REA Group Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of REA Group Limited and the entities it controlled during the financial period.

Ernst & Young

David McGregor
Partner
10 February 2017

Consolidated Income Statement

for the half-year ended 31 December 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue from continuing operations		337,326	289,772
Total revenue		337,326	289,772
Employee benefits expenses	9	(69,707)	(52,181)
Consultant and contractor expenses		(4,345)	(6,189)
Marketing related expenses		(27,288)	(18,399)
Technology expenses		(8,255)	(6,878)
Operations and administration expense		(25,921)	(23,536)
Share of loss of associates	5	(1,757)	(5,896)
Earnings before interest, tax, depreciation and amortisation (EBITDA) ²⁰		200,053	176,693
Depreciation and amortisation expense	9	(17,858)	(13,416)
Profit before tax and interest (EBIT)		182,195	163,277
Net finance income	9	773	745
Profit before income tax from continuing operations		182,968	164,022
Income tax expense	10	(54,211)	(48,713)
Profit for the half-year from continuing operations		128,757	115,309
Discontinued operations²¹			
Profit/(loss) after tax for the half-year from discontinued operations	4	163,386	(161)
Profit for the half-year		292,143	115,148
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of REA Group Limited			
Basic earnings per share		221.8	87.3
Diluted earnings per share		221.8	87.3
Basic earnings per share from continuing operations		97.8	87.4
Diluted earnings per share from continuing operations		97.8	87.4

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

20 The Directors deem the EBITDA measures to be relevant and useful in measuring the financial performance of the Group. EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

21 The European business was sold effective 31 December 2016. Results from the European business are classified as discontinued operations and prior year has been adjusted.

Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2016

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Profit for the half-year	292,143	115,148
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations, net of tax	14,104	14,802
Other comprehensive income for the half-year, net of tax	14,104	14,802
Total comprehensive income for the half-year	306,247	129,950
Profit for the half-year is attributable to:		
Non-controlling interest	4	170
Owners of the parent	292,139	114,978
	292,143	115,148
Total comprehensive income for the half-year is attributable to:		
Non-controlling interest	4	170
Owners of the parent	306,243	129,780
	306,247	129,950

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2016

	Notes	31 Dec 2016 \$'000	30 June 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	166,273	126,834
Trade and other receivables	4	279,854	96,536
Total current assets		446,127	223,370
Non-current assets			
Plant and equipment		14,580	16,165
Intangible assets		931,244	955,383
Deferred tax assets		5,679	5,210
Other non-current assets		668	1,379
Investment in associate	5	291,297	281,777
Total non-current assets		1,243,468	1,259,914
Total assets		1,689,595	1,483,284
LIABILITIES			
Current liabilities			
Trade and other payables	7	147,792	170,850
Current tax liabilities		16,138	12,068
Provisions		8,040	8,181
Deferred revenue		24,141	37,903
Interest bearing loans and borrowings	8	120,407	4,000
Total current liabilities		316,518	233,002
Non-current liabilities			
Other non-current payables	7	7,514	8,155
Deferred tax liabilities		28,525	28,832
Provisions		3,314	5,267
Interest bearing loans and borrowings	8	372,864	492,253
Total non-current liabilities		412,217	534,507
Total liabilities		728,735	767,509
Net assets		960,860	715,775
EQUITY			
Contributed equity	11	95,259	97,109
Reserves		53,737	32,842
Retained earnings		811,472	585,274
Parent interest		960,468	715,225
Non-controlling interest		392	550
Total equity		960,860	715,775

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2016

	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	97,109	585,274	32,842	715,225	550	715,775
Profit for the half-year	-	292,139	-	292,139	4	292,143
Other comprehensive income	-	-	14,104	14,104	-	14,104
Total comprehensive income for the half-year	-	292,139	14,104	306,243	4	306,247
Transactions with owners in their capacity as owners						
Discontinued operations	12	(6,011)	5,999	-	-	-
Share-based payment expense	-	-	1,927	1,927	-	1,927
Acquisition of treasury shares	(1,261)	-	-	(1,261)	-	(1,261)
Settlement of vested performance rights	(601)	-	(1,135)	(1,736)	-	(1,736)
Dividends paid	-	(59,930)	-	(59,930)	(162)	(60,092)
Balance at 31 December 2016	95,259	811,472	53,737	960,468	392	960,860

	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Parent interest \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2015	98,355	433,078	26,112	557,545	534	558,079
Profit for the half-year	-	114,978	-	114,978	170	115,148
Other comprehensive income	-	-	14,802	14,802	-	14,802
Total comprehensive income for the half-year	-	114,978	14,802	129,780	170	129,950
Transactions with owners in their capacity as owners						
Share-based payment expense	-	-	1,145	1,145	-	1,145
Acquisition of treasury shares	(1,012)	-	-	(1,012)	-	(1,012)
Settlement of vested performance rights	(484)	-	(1,157)	(1,641)	-	(1,641)
Dividends paid	-	(53,345)	-	(53,345)	(175)	(53,520)
Balance at 31 December 2015	96,859	494,711	40,902	632,472	529	633,001

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		394,750	329,805
Payments to suppliers and employees (inclusive of GST)		(203,132)	(152,097)
		191,618	177,708
Interest received		943	730
Interest paid		(7,103)	-
Income taxes paid		(48,482)	(59,300)
Share-based payment on settlement of LTI plans		(1,754)	(1,823)
Net cash inflow from operating activities		135,222	117,315
Cash flows from investing activities			
Payment for acquisition of subsidiary		(1,159)	-
Investment in associates		-	(15,302)
Payment for plant and equipment		(3,140)	(1,611)
Payment for intangible assets		(20,981)	(16,315)
Cash disposed as part of discontinued operations		(6,151)	-
Net cash (outflow) from investing activities		(31,431)	(33,228)
Cash flows from financing activities			
Dividends paid to company's shareholders	12	(59,930)	(53,345)
Dividends paid to non-controlling interests in subsidiaries		(162)	(175)
Acquisition of treasury shares	11	(1,261)	(1,012)
Net repayments of borrowings		(3,345)	-
Net cash (outflow) from financing activities		(64,698)	(54,532)
Net increase in cash and cash equivalents		39,093	29,555
Cash and cash equivalents at the beginning of the half-year		126,834	78,894
Effects of exchange rate changes on cash and cash equivalents		346	-
Cash and cash equivalents at end of the half-year	6	166,273	108,449

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Corporate information

REA Group Limited (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2016 comprise the financial statements of the Company and its subsidiaries (together referred to in these financial statements as the "Group" and individually as "Group entities").

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Basis of preparation

The condensed consolidated interim financial statements for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent as those adopted in the Group's annual financial report for the year ended 30 June 2016, except for the adoption of new standards and interpretations as of 1 July 2016 as disclosed in the 30 June 2016 financial accounts and noted below:

- Annual Improvements to IFRSs 2012-2014 Cycle
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs (AASB 8, AASB 133 & AASB 1057)*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2015-2 *Disclosure Initiative: Amendments to AASB 101*
- AASB 2014-3 *Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 116 and AASB 138)*
- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)*

The adoption of the above accounting standards had no material impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Segment information

Operating segments are reported in a manner consistent with internal reporting to be provided to the chief operating decision makers, being the Chief Executive Officer who provides the strategic direction and management oversight of the company in terms of monitoring results and approving strategic planning for the business.

Identification of segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses that relate to transactions with any of the consolidated entity's other components.

The Group's operating segments are determined based on the location of the Group's operations. Corporate overhead includes the costs of certain head office functions that are not considered appropriate to be allocated to the Group's operating businesses. Discrete financial information about each of these operating businesses is reported to the CEO at least monthly.

Operating segments that meet quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the Financial Statements.

Type of service

The Group has only one type of service, which is the provision of advertising services to the real estate industry. While the Group offers different brands to the market it is considered that it only has one product/service.

The following tables present revenue and results by operating segments for the half-year ended 31 December 2016 and 31 December 2015.

3. Segment information continued

Half-year ended 31 December 2016	Australia	North America	Asia	Corporate	TOTAL
From core operations	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue					
Total segment revenue	318,735	-	19,367	-	338,102
Inter-segment revenue	(575)	-	(201)	-	(776)
Revenue from external customers	318,160	-	19,166	-	337,326
Results					
Segment EBITDA from core operations	209,334	(1,757)	2,639	(10,163)	200,053
EBITDA	209,334	(1,757)	2,639	(10,163)	200,053
Depreciation and amortisation					(17,858)
EBIT					182,195
Net finance expense from core operations					(6,213)
Profit before income tax from core operations					175,982
Net finance income					6,986
Profit before income tax					182,968
Half-year ended 31 December 2015					
From core operations					
Segment revenue					
Total segment revenue	285,047	-	5,340	-	290,387
Inter-segment revenue	(473)	-	(142)	-	(615)
Revenue from external customers	284,574	-	5,198	-	289,772
Segment EBITDA from core operations	187,170	(4,564)	2,485	(8,398)	176,693
EBITDA	187,170	(4,564)	2,485	(8,398)	176,693
Depreciation and amortisation					(13,416)
EBIT					163,277
Net finance income					745
Profit before income tax					164,022

4. Discontinued operations

On 20 December 2016, the Group publicly announced the decision to divest the European operations, which includes the wholly owned subsidiaries, atHome Group S.à r.l. and REA Italia S.r.l, via the sale of shares.

At 31 December 2016 the European operations are disclosed as discontinued operations. The atHome Group S.A R.L and REA Italia S.R.L represented the entirety of the Group's European operations, therefore the Europe segment is no longer presented in the segment note.

The consideration received was \$193.7 million (€132.6 million), which is recognised in Trade and other receivables as at 31 December 2016. This resulted in a gain of \$161.6 million (€111.5 million), after deducting the net assets, accumulated foreign exchange reserve and transaction costs.

The results of the Europe segment for the half-year are presented below:

	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Revenue	24,930	25,063
Expenses	(26,131)	(24,098)
Operating (loss)/income	(1,201)	965
Finance costs	-	(6)
(Loss)/profit before tax from discontinued operations	(1,201)	959
Income tax income/(expense)	2,987	(1,120)
	1,786	(161)
Gain on sale of the discontinued operations (net of transaction costs)	161,600	-
Profit/(loss) after tax from discontinued operations	163,386	(161)
Total profit before tax		
(Loss)/profit before tax from discontinued operations	(1,201)	959
Gain on sale of the discontinued operation (net of transaction costs)	161,600	-
Total	160,399	959
The net cash flows (incurred)/generated by the European operations included within the Consolidated Statement of Cash Flows are, as follows:		
Operating	(1,119)	3,245
Investing	(1,851)	(1,813)
Financing	(3,247)	(4,460)
Net cash (outflow)	(6,217)	(3,028)
Earnings/(loss) per share	Cents	Cents
Basic, profit/(loss) for the year from discontinued operations	124.0	(0.1)
Diluted, profit/(loss) for the year from discontinued operations	124.0	(0.1)

The major classes of assets and liabilities of the European operations as at 31 December 2016 were as follows:

	31 Dec 2016 \$'000
ASSETS	
Current assets	
Cash and cash equivalents	6,151
Trade and other receivables	10,456
Current tax assets	472
Total current assets	17,079
Non-current assets	
Plant and equipment	1,579
Intangible assets	26,836
Total non-current assets	28,415
Total assets	45,494
LIABILITIES	
Current liabilities	
Trade and other payables	11,869
Provisions	932
Deferred revenue	4,998
Total current liabilities	17,799
Non-current liabilities	
Deferred tax liabilities	63
Provisions	2,564
Total non-current liabilities	2,627
Total liabilities	20,426
Net assets directly associated with disposal group	25,068

5. Investment in associate

The Group has a 20% interest in Move, a leading provider of online real estate services in the United States. The Group's interest in Move is accounted for using the equity method in the Consolidated Financial Statements. The Group's share of losses in Move for the period was \$1.8 million (2015: \$4.6 million) and the carrying value of the investment is \$291.3 million.

At 31 December 2015, the Group had a 22.7% interest in iProperty Group Limited ("iProperty"), a formerly public company listed on the Australian Stock Exchange. On 2 February 2016 the court approved the Group's acquisition of iProperty. iProperty is now accounted for as a fully consolidated subsidiary of the Group. The Group's share of losses for the period ended 31 December 2015 was \$1.3 million.

6. Cash and cash equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	31 Dec 2016 \$'000	30 June 2016 \$'000
Cash at bank	166,183	76,746
Short term deposits	90	50,088
	166,273	126,834

7. Contingent consideration

The Group has adopted the fair value method in measuring contingent consideration in recent acquisitions. The determination of these fair values involves management's judgement and the ability of the acquired entity to achieve certain financial results. Contingent consideration is categorised as Level 3 in the fair value hierarchy. At the reporting date and at 30 June 2016, the key unobservable inputs used by the Group in determining the fair value of its contingent consideration are summarised below:

	Discount rate	Hurdle	Period	Carrying value \$'000
Acquired iProperty contingent liabilities	14.4% - 17.5%	Revenue	3 years	\$6,872
Flatmates	6.0%	EBITDA	2 years	\$9,575
iProperty	3.25% - 8.75%	Revenue and EBITDA	2 years	\$101,410
Property platform business	13.5%	Revenue	5 years	\$1,557

A reconciliation of the fair value of contingent consideration liability is provided below:

	31 Dec 2016 \$'000
Fair value of contingent consideration at 1 July 2016	128,795
Payments	(1,159)
Unrealised fair value changes recognised in profit or loss ¹	(8,174)
Total contingent consideration at 31 December 2016	119,462
Unrealised impact from applying foreign exchange rates as at 31 December 2016 ²	(48)
Fair value of total consideration due³	119,414

¹ Included within Operations and administration expense and Net finance income/(expense)

² Included within Operations and administration expense

³ Included within Trade and other payables and Other non-current payables

8. Borrowings

In December 2015, the Group entered into a \$480.0 million unsecured syndicated revolving loan facility agreement ("the loan facility"). The loan facility consists of three sub facilities of \$120.0 million, \$120.0 million and \$240.0 million which become due in December 2017, December 2018 and December 2019, respectively.

In February 2016, iProperty entered into a \$14.0 million unsecured working capital facility ("the facility") for which the Group is a guarantor. The facility becomes due in February 2018. In May 2016, iProperty increased the amount available under the facility by an additional \$4.0 million, this amount has subsequently been paid. In July 2016, iProperty entered into a \$0.7m shareholder loan agreement, which becomes due in June 2017.

Transaction costs were incurred to establish the facilities, these have been capitalised on the Balance Sheet and are amortised through the Income Statement.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are categorised as Level 2 in the fair value hierarchy.

The table below details the maturity groupings of the facilities:

	31 Dec 2016 \$'000	30 June 2016 \$'000
Current	120,407	4,000
Non-current	372,864	492,253
Total	493,271	496,253

9. Expenses

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Profit before income tax includes the following specific expenses:		
Employee benefits		
Salary costs	62,377	46,728
Defined contribution superannuation expense	5,403	4,308
Share-based payments	1,927	1,145
Total employee benefits	69,707	52,181
Finance (income)/expense		
Finance income	(1,080)	(745)
Finance expense	7,293	-
Unwind of contingent consideration	3,737	-
Revaluation of contingent consideration	(10,723)	-
Total finance (income)	(773)	(745)
Expenses		
Depreciation of plant and equipment	2,902	2,687
Amortisation	14,956	10,729
Lease expense	3,079	1,983
(Gain)/loss on disposal of plant and equipment	(34)	10
Net foreign exchange (gain)	(536)	(39)

10. Income tax expense

The Group calculates the half-year income tax expense using the tax rate that would be applicable to expected total annual earnings. The major components of income tax expense in the Income Statement are:

	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Income taxes:		
Current income tax expense	55,359	48,335
Deferred income tax expense related to origination and reversal of deferred taxes	(1,148)	378
Income tax expense	54,211	48,713

11. Contributed equity

At 31 December 2016 the Group had 131,714,699 ordinary shares on issue. There has not been any issue of shares during the half-year ended 31 December 2016.

	Contributed equity	Other contributed equity	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2015	102,603	(4,248)	98,355
Acquisition of treasury shares	-	(1,012)	(1,012)
Settlement of vested performance rights	-	(234)	(234)
Balance at 30 June 2016	102,603	(5,494)	97,109
Divestment of European business	12	-	12
Acquisition of treasury shares	-	(1,261)	(1,261)
Settlement of vested performance rights	-	(601)	(601)
Balance at 31 December 2016	102,615	(7,356)	95,259

The Group's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve.

12. Dividends

(a) Dividends declared or paid

The following dividends were declared or paid by the Group:

	Per share	Total amount	Franked	Payment date
Half-year ended 31 Dec 2016:				
2016 Final dividend (fully franked)	45.5 cents	59,930	100%	15 Sept 2016
Half-year ended 31 Dec 2015:				
2015 Final dividend (fully franked)	40.5 cents	53,345	100%	14 Sept 2015

(b) Dividends not recognised at the end of the half-year

On release of the interim financial statements, the Directors declared an interim ordinary dividend for 2017 of \$52.6 million (40.0 cents per share fully franked) to be paid on 15 March 2017 out of retained earnings as at 31 December 2016. The interim dividend has not been recognised in the financial statements for the half-year ended 31 December 2016, but will be in subsequent financial reports.

13. Contingencies

Various claims arise in the ordinary course of business against REA Group Limited and its subsidiaries. The amount of the liability (if any) at 31 December 2016 cannot be ascertained, and the REA Group Limited entity believes that any resulting liability would not materially affect the financial position of the Group.

14. Commitments

As a result of the Move transaction, the Group entered a commitment relating to the funding of rollover awards held by Move employees. No payments were made during the half-year and the outstanding balance of US\$3.5 million is expected to be paid within three years.

15. Events after the balance sheet date

On 10 January 2017, REA announced its intention to acquire a 14.7% stake in PropTiger, a leading digital real estate marketing platform in India. REA's stake will be acquired for a cash consideration of \$67.9 million (USD 50.0 million) and was funded by existing cash reserves. The investment will be accounted for as an associate and completed in January 2017.

Directors' Declaration

For the half-year ended 31 December 2016:

In the Directors' opinion:

- (a) the financial statements and notes of the consolidated entity set out on pages 11 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Mr Hamish McLennan

Chairman



Ms Tracey Fellows

Chief Executive Officer

Sydney

10 February 2017

To the members of REA Group Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of REA Group Limited, which comprises the statement of financial position as at 31 December 2016, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of REA Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

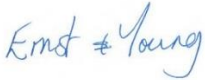
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of REA Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



David McGregor
Partner
Melbourne
10 February 2017